



Memorandum

Date • DEC 2 1991

From Richard P. Kusserow
Inspector General *for Bryan Tithe*

Subject Illinois - Medicaid **Claims** for Patients Age 22 to 64 in State
Operated Institutions for Mental Diseases (A-05-91-00023)

To Gail R. Wilensky, Ph.D.
Administrator
Health Care Financing Administration

This memorandum alerts you to the issuance on December 3, 1991 of our final audit report. A copy is attached.

In Illinois, the State Medicaid agency needs to make a financial adjustment of **\$6,252,884** (Federal share **\$3,126,442**) for claims made on behalf of patients from age 22 to 64 in State operated mental facilities. These claims, made from January 1, 1983 through April 30, 1988, were not allowable because Federal financial participation is not available for medical assistance under Medicaid for individuals from age 22 to 64 in institutions for mental diseases (**IMDs**).

The purpose of the audit was to determine the amount of Federal funds improperly claimed under Medicaid for services provided to recipients age 22 to 64 in State operated **IMDs**. Our survey disclosed that except for medical/surgical services, the State Medicaid agency had established effective controls to prevent claiming services provided to patients from age 22 to 64 in State operated **IMDs**. For medical/surgical services, Medicaid claims totaled about \$14.2 million for the period January 1, 1983 through September 30, 1990. **Claims** for patients from age 22 to 64 in the medical/surgical units were discontinued after April 1988.

Our review of the \$14.2 million disclosed that **\$6,252,884** was claimed on behalf of patients from the age of 22 to 64 who were mentally ill and residing in State operated **IMDs**. We are recommending that the State Medicaid agency make a financial adjustment for the **\$6,252,884** (Federal share **\$3,126,442**). We are making no procedural recommendations since the problem has already been corrected.

Page 2 - Gail R. Wilensky, Ph.D.

The State Medicaid agency and regional officials of the Health Care Financing Administration concurred with our findings and recommendation.

For further information contact:

Martin D. Stanton

Regional Inspector General

for Audit Services, Region V

FTS: 353-2618

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICAID CLAIMS FOR PATIENTS
AGE 22 TO 64 IN STATE OPERATED
INSTITUTIONS FOR MENTAL
DISEASES**

**DEPARTMENT OF PUBLIC AID
STATE OF ILLINOIS**



Richard P. Kusserow
INSPECTOR GENERAL

A-05-9 1-00023



DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V
105 W. ADAMS ST.
CHICAGO, ILLINOIS 60603-6201

OFFICE OF
INSPECTOR GENERAL

Common Identification No. A-05-91-00023

Mr. Phil Bradley, Director
Illinois Department of Public Aid
Jesse B. Harris Building
100 South Grand Avenue East
Springfield, Illinois 62762-0001

Dear Mr. Bradley:

Enclosed for your information and use are two copies of an Office of Inspector General report titled "Medicaid Claims for Patients Age 22 to 64 in State Operated institutions for mental diseases." The audit covered amounts claimed during the period January 1, 1983 through September 30, 1990. Your attention is invited to the audit findings and recommendations contained in the report. The Health Care Financing Administration will be communicating with you in the near future regarding implementation of these items.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public, to the extent information contained therein is not subject to exemptions in the Act, which the Department chooses to exercise (see 45 CFR Part 5.)

To facilitate identification, please cite the above common identification number in all correspondence relating to this audit.

Sincerely,

Martin D. Stanton
Regional Inspector General
for Audit Services

Enclosures

SUMMARY

The Medicaid Program was charged **\$6,252,884** (Federal share **\$3,126,442**) for services provided to ineligible individuals in State operated facilities during the period January 1, 1983 through April 30, 1988. Section 1905(a) of the Social Security Act and applicable regulations provide that Federal financial participation (FFP) is not available for medical assistance under Medicaid for individuals from age 22 to 64 in an institution for mental diseases (IMD).

Administrative controls over mentally ill patients in the medical/surgical units of **IMDs** were not effective in preventing Medicaid funds from being used for the payment of claims for patients age 22 to 64. Beginning May 1, 1988, the State agency discontinued claiming these costs under Medicaid. Therefore, we are not making recommendations for improved internal control. We are recommending a financial adjustment for **\$6,252,884** (Federal share **\$3,126,442**).

Our findings and recommendation, as well as State agency's comments concurring in our findings, are presented in detail in the "FINDINGS AND RECOMMENDATIONS" section of the report beginning on page 3.

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INTRODUCTION

BACKGROUND

The Medicaid Program, established by Title XIX of the Social Security Act, provides that Federal financial participation (FFP) is available in expenditures for providing covered medical services for eligible low-income and medically needy persons. The Act requires States to provide certain medical services and allows other health care services to be provided at the option of each individual State. As one of the options, States may provide inpatient psychiatric services to individuals over 64 or under 22 years of age, in specific circumstances, who reside in **IMDs**.

The Medicaid program is jointly administered by the Federal government, through the Health Care Financing Administration (HCFA) and by States, through their designated agencies. The designated agency in Illinois is the Illinois Department of Public Aid (State agency).

The FFP rate for medical services in Illinois is 50 percent. The billings for services are processed through a mechanized claim processing and retrieval system, generally referred to as the Medicaid Management Information System (MMIS). The State operated mental facilities are under the administrative control of the Illinois Department of Mental Health and Developmental Disabilities (Mental Health). Services claimable under Medicaid that are provided in Mental Health facilities are coordinated with the State agency so that a valid claim can be made.

SCOPE OF AUDIT

Our audit was conducted in accordance with generally accepted government auditing standards. The objective of the audit was to determine the amount of Federal funds claimed under Medicaid for services provided to recipients age 22 to 64 in State operated **IMDs**.

Our survey disclosed that for all categories of service, except for medical/surgical services (category of service **20**), the State agency had established effective internal controls to prevent Medicaid claims for services to recipients age 22 to 64 in State operated **IMDs**. For medical/surgical services, Medicaid claims totaled about \$14.2 million for the period from January 1, 1983 through September 30, 1990. These claims were on behalf of 1,246 different recipients in four IMD facilities. Our review identified which of the 1,246 recipients were from 22 to 64 years of age. This review excluded claims of **\$1,307,240** for services in the medical/surgical units which were recommended for

financial adjustment in our prior report - "Audit of Medicaid Claims for Periods After Patients Were Discharged from State Mental Facilities" (A-05-90-00156 issued August 7, 1991).

Audit field work was performed at the central offices of the State agency and Mental Health in Springfield, Illinois from December 1990 through April 1991.

FINDINGS AND RECOMMENDATIONS

PATIENTS FROM 22 TO 64

Inappropriate Medicaid claims of **\$6,252,884** (Federal share **\$3,126,442**) were made from January 1, 1983 through April 30, 1988 for patients from 22 to 64 years of age in medical/surgical units of three state operated **IMDs**. While the State agency took action to stop claiming these type recipients for periods after April 1988, no action was taken to identify and adjust for the unallowable claims made for earlier periods.

Background

Section 1905(a) of the Social Security Act denies FFP for medical assistance under Title XIX for recipients in **IMDs** unless they are under 22 or over 64 years of age. Implementing regulation, 42 CFR 435.1008 states that:

...FFP is not available in expenditures for services provided to... individuals under age 65 who are patients in an institution for mental diseases unless they are under age **22**...

For the State operated IMD facilities, which are under the administrative control of Mental Health, controls were generally established to preclude claiming patients from 22 to 64. The one exception was for patients in the medical/surgical units of these IMD facilities. Apparently, the State agency believed that, since the medical/surgical units had their own Medicare/Medicaid certifications, these units were exempt from the provisions of 42 CFR 435.1008.

In 1988, HCFA questioned the State agency's practice of claiming the patients age 22 to 64 in the medical/surgical units of IMD facilities. As a result, the State agency, beginning May 1988, began backing these type costs from the quarterly expenditure reports (HCFA 64). However, no action was taken to identify and adjust for the inappropriate claims made for periods prior to May 1988.

The State operated IMD facilities began phasing out their medical/surgical units over a period of years. The last four IMD facilities with medical/surgical units and the approximate month the last Medicaid patients were served in those units were as follows:

<u>Facility</u>	<u>Last Month of Patient Care</u>
Galesburg	April 1983
Chicago Read	December 1983
Manteno	October 1985
Elgin	August 1988

Actual Medicaid claims continued for months after the last patient was served in those units due to per diem rate adjustments and retroactive claims and adjustments.

Finding

Our review disclosed that Medicaid claims totaling about \$14.2 million were processed for 1,246 recipients between January 1, 1983 and September 30, 1990 for services provided in medical/surgical units of four IMD facilities. Of these recipients, 834 were mentally ill and from 22 to 64 years of age. Unallowable claims for these patients totaled **\$6,252,884** (Federal share **\$3,126,442**). The unallowable amount by facility was as follows:

<u>Facility</u>	<u>Number of Recipients</u>	<u>Ineligible Claim</u>
Chicago Read	34	\$ 24,053
Manteno	217	1,049,102
Elgin	583	5,179,729
Total	834	\$6,252,884*

*Federal share is 50 per cent or **\$3,126,442**

Since the IMD facilities no longer have medical/surgical units, these types of inappropriate Medicaid claims should not recur in the future.

Recommendation

We recommend that the State agency make a financial adjustment in the amount of **\$6,252,884** (Federal share **\$3,126,442**).

State Agency's Comments

State agency officials concurred in our findings and recommendation. The complete text of their response is included in the Appendix.

APPENDIX

STATE AGENCY RESPONSE TO
DRAFT REPORT



Phil Bradley'
~~Executive Director~~
Director

Illinois Department of Public Aid

Jesse B. Harris Building
100 S. Grand Avenue East
Springfield, Illinois 62762-0001

September 5, 1991

Mr. Fred ~~Halbig~~, Senior Auditor
HHS/OIG Office of ~~Audit~~ Services
Springfield Field Office
528 South 5th Street, Room 202
Springfield, IL 62701

RE: A-05-91-00023

Dear Mr. Ealbig:

This letter is in response to Mr. Stanton's letter of
June 27, 1991. I am responding for Phil Bradley, Director.

Staff from the Departments of Mental Health and Developmental
Disabilities and Public Aid have reviewed your draft report on the
"Audit Of Medicaid Claims For Patients Age 22 - 64 in State Operated
IMD's."

The Illinois Department of Public Aid will make the adjustment of
\$6,252,884 (\$3,126,442 FFP) on the HCFA-64 Report for the quarter
ending December 31, 1991.

If you have any questions, please contact me at (217) 782-1156.

Thank you.

Sincerely,

James R. Donkin, CIA
Chief Internal Auditor

JRD:nw

cc: Martin D. Stanton